

## Talking Points

### Sharing Economy

- Internet peer-to-peer (or sharing economy) platforms have existed at least since eBay began operating.
- Platforms enable commercial transactions by linking sellers of products or services with buyers of those products and services.
- The sharing economy has expanded rapidly in recent years, most significantly in the transportation and accommodation sectors such as Uber, Lyft, Airbnb, VRBO, Craigs List, and Etsy to name a few.
- Airbnb has grown into a lodging colossus, offering more than 6 million places to stay in more than 191 countries. Its listings outnumber those of the top six hotel chains combined, helping the company reportedly generate more than \$1 billion in revenue in the 3<sup>rd</sup> quarter of 2018. It is valued by investors at \$31 billion, making it the country's second most valuable startup, after Uber. By comparison, Hilton & Marriott's current market capitalizations are \$25 and \$43 billion, respectively.
- The sharing economy has facilitated the introduction of new and innovative sources of supply, which provides consumers with expanded choices, greater convenience and, often, lower prices.
- Commercial activity in the sharing economy has challenged existing traditional regulations and pose risks to competition and consumers.
- Growing number of firms are using technology to change the nature of commercial interactions. These firms serve as "intermediaries" to facilitate peer-to-peer transactions.
- Buyers and sellers on many sharing platforms have little information about each other and the intermediary often sites "confidentiality & privacy issues" so as not to report the economics of the platform. For example: Airbnb views themselves as a technology company that should not be subject to regulatory constraints applicable to entities actually supplying the goods or services.
- Failure to apply regulations to sharing economy suppliers creates an unfair competitive advantage for sharing economy suppliers, tilting the competitive playing field.

### Market Reality

- Pennsylvania has more than 600 registered B&Bs in the commonwealth (of which 60% are five rooms or less) that have complied with local and state regulations and secured the proper licenses to operate a legitimate small business.
- Pennsylvania can control its own destiny related to expanding short-term rental websites, but we must be guided by sound policies, not greed for dollars.

- There is a growing disconnect between political agendas and financial shortfalls which lead to agreements that may have unintended consequences.
- Too many elected officials are uninformed about the downside of such agreements and the negative impact they have on B&B businesses that have been following the rules (for years) from the inception of their small business.
- These actions are counterproductive to current market dynamics and ignore Pennsylvania's strong tourism industry.
- State-by-state legislation is being proposed to exempt non-regulated short-term rentals. This includes food safety licensing, fire inspections, building safety inspections, collection of state and local lodging taxes and proper insurance.
- Over 90% of Pennsylvania's 2,562 municipalities have elected to administer and enforce the Uniform Construction Code (Statute 35 P.S. 7210.101 to 7210.1103 (Act 45 of 1999, as amended by Act 43 of 2001 and Acts 13, 92, 230 of 2004 and Act 95 of 2005)) to provide for the protection of life, health, property and the environment and for the safety and welfare of the consumer, general public and the owners and occupants of buildings and structures.
- Pennsylvania townships, municipalities and boroughs have adopted comprehensive plans for their communities that includes zoning to regulate the use, form, design and compatibility of development.
- The PA Department of Revenue is responsible for the collection of Pennsylvania's Hotel Occupancy Tax, imposed at the same rate as sales tax (6%), which applies to room rental charges for periods of less than 30 days by the same person.
- All PA Counties (Perry and Fulton) impose a hotel excise tax at the local level that is collected by the County Treasurer's Office and utilized by the local tourism promotion agency to increase their tourism economy.
- The passage of Act 18 of 2016 defines "hotel" would have to be remitted by public and private cabins, vacation rental homes, and Airbnb hosts.

## **Outreach & Education**

### **Short-Term**

- Work with the traditional industry to assure a level playing field.
- Address lack of knowledge on the part of homeowners who may be unaware of state and local laws regarding short-term rentals and their responsibility to meet all regulatory and tax requirements.
- Educate county and local officials on the dangers of signing agreements for intermediaries such as Airbnb to collect local taxes on behalf of their hosts. Recently, Airbnb is remitting the local taxes on behalf of their hosts without a signed agreement. Find out if that is happening in your county. Reference the recent "Airbnb Tax Secrecy" study authored by tax administration expert Dan

R. Bucks who was Executive Director of the Multistate Tax Commission and ran the Montana Department of Revenue.

#### Long Term

- Propose action by local municipalities to enforce existing code and zoning regulations. Reference the “Short-Term Rental Regulation” developed by the Lancaster County Planning Commission to assist local officials to craft implementable planning and regulatory language. Sample ordinances are included for consideration.
- Ensure appropriate reporting information.
- Enforcement for non-respondents.

#### **Background: Why Communities have Zoning**

The kinds of zoning districts (agricultural, residential, business and industrial) needed depend on the complexity of the township or county’s development. Zoning decisions are not made in a vacuum. Politics can influence the decisions, in the sense that elected officials may be afraid to go against popular demand. Sometimes the zoning ordinance itself isn’t very well crafted, or that conditions in society have changed and the ordinance didn’t change with the times. Then zoning can have unintended consequences and actually prevent economic development, flexible provisions for affordable housing, and other things that are good for your community.

Communities have adopted zoning to:

- Assist economic growth by helping reserve adequate and desirable sites for industrial and commercial users.
- Protect property from inconsistent or harmful use.
- Protect individual property owners from harmful or undesirable uses of adjacent property.
- Protect a community’s historic and architectural heritage.
- Provide orderly and systematic transition in land use that benefit all land uses through public hearings and local decisions.